

**FINANCIAL STATEMENTS**

**ELBA TOWNSHIP  
LAPEER COUNTY, MICHIGAN**

**June 30, 2005**

**TOWNSHIP BOARD**

**John Kosiara - Supervisor**

**Brenda Johnson - Clerk**

**Mark Connell - Trustee**

**Michael Stockman - Trustee**

**Nina M. Suter - Treasurer**

**Mike Hodges - Trustee**

**J. Paul Stock - Trustee**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>ELBA TOWNSHIP</b>	County <b>LAPEER</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/20/05</b>	Date Accountant Report Submitted to State: <b>12/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓


Certified Public Accountant (Firm Name) <b>ROBSON &amp; McCALLUM, CPA's</b>			
Street Address <b>P.O. BOX 779</b>		City <b>LAPEER</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48446</b>	Date <b>12/30/05</b>

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**ROBSON AND McCALLUM**  
*Certified Public Accountants*

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

**INDEPENDENT AUDITOR'S REPORT**

Township Board  
Township of Elba  
4717 Lippincott Road  
Lapeer, Michigan 48446

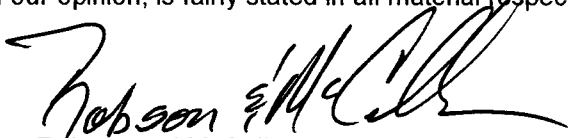
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elba Township (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Bulletin for Audits of Local Units of Government in Michigan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elba at June 30, 2005 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elba Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Robson and McCallum  
December 20, 2005

TOWNSHIP OF ELBA  
LAPEER COUNTY  
LAPEER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Township of Elba, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

**Financial Highlights**

The assets of Elba Township exceeded its liabilities by \$7,326,440, of this amount, \$1,473,794 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year the Township's governmental funds reported combined ending fund balances of \$1,473,794 a decrease of \$74,998 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$774,616, or approximately 111% of normal general fund expenditures.

The Township's total debt decreased \$349,264, during the current fiscal year.

**Overview of the Financial Statements**

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

**Government-wide Financial Statements** provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business.

**The Statement of Net Assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

**The Statement of Activities** presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, public works, cemetery and building department operations. The business-type activities of the Township include a sewer system.

**Reporting the Township's Most Significant Funds - Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Elba Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriate budget for its general fund and special revenue funds. A budgetary comparison statements has been provided for the general fund and other major funds to demonstrate compliance with this budget.

**Proprietary funds.** The Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer activity.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 10 of this report.

#### **Notes to the Financial Statements**

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **The Township as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of June 30, 2005. Prior year information is not available, because this is the first year of the implementation of GASB Statement NO. 34. Comparative data will be presented in future years.

	Governmental Activities	Business Type Activities	Total
<b><u>Assets</u></b>			
Current Assets	\$1,478,915	\$1,495,765	\$2,974,680
Capital Assets - Net of Depreciation	<u>1,170,824</u>	<u>4,004,867</u>	<u>5,175,691</u>
Total Assets	<u>\$2,649,739</u>	<u>\$5,500,632</u>	<u>\$8,150,371</u>
<b><u>Liabilities</u></b>			
Current Liabilities	\$ 5,121	\$ 108,810	\$ 113,931
Long-Term Liabilities		<u>710,000</u>	<u>710,000</u>
Total Liabilities	<u>\$ 5,121</u>	<u>\$ 818,810</u>	<u>\$ 823,931</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets	\$1,170,824	\$3,194,867	\$4,365,691
Restricted		1,486,955	1,486,955
Unrestricted	<u>1,473,794</u>		<u>1,473,794</u>
Total Net Assets	<u>\$2,644,618</u>	<u>\$4,681,822</u>	<u>\$7,326,440</u>

The following table shows the changes of the net assets during the fiscal years ending June 30, 2005 and June 30, 2004.

	Governmental Activities	Business Type Activities	Total	Total 06/30/04
<b><u>Revenue</u></b>				
Program Revenues:				
Charges for Services	\$ 15,493	\$ 123,652	\$ 139,145	\$ 160,232
Rent	6,550		6,550	5,880
Other	4,548		4,548	3,246
General Revenue:				
Property Taxes and Collection Fees	631,685		631,685	597,031
Assessments	21,320		21,320	-0-
State-shared Revenue	374,787		374,787	434,547
Interest Earnings	21,640	50,482	72,122	56,846
Capital Grants	38,160		38,160	-0-
Proceeds from Lawsuit			-0-	260,000
Total Revenue	<u>\$1,114,183</u>	<u>\$ 174,134</u>	<u>\$1,288,317</u>	<u>\$1,517,782</u>
<b><u>Program Expenses</u></b>				
General Government	\$ 464,377	\$ -0-	\$ 464,377	\$ 389,037
Public Safety	244,204		244,204	282,821
Public Works	225,505		225,505	253,310
Sewer		271,982	271,982	322,466
Total Program Expenses	<u>\$ 934,086</u>	<u>\$ 271,982</u>	<u>1,206,068</u>	<u>\$1,247,634</u>
Change in Net Assets	<u>\$ 180,097</u>	<u>\$ (97,848)</u>	<u>\$ 82,249</u>	<u>\$ 270,148</u>

### **The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and other provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3 following the government-wide financial statements.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2005, the Township had \$7,153,845 invested in broad range of capital assets, including land, building and equipment. This amount represents a net increase of \$241,034.

Land and Improvements	\$ 187,512
Buildings and Improvements	640,233
Equipment	646,038
Vehicles	739,961
Sewer System	<u>4,940,101</u>
Total Capital Assets	\$ 7,153,845
Less Accumulated Depreciation	<u>(1,978,154)</u>
Net Capital Assets	<u>\$ 5,175,691</u>

#### **Debt Administration**

The Township had two major sources of debt during the fiscal year ended June 30, 2005: bonds issued for the Lake Nepessing Sewer System and a special assessment paid to the County of Lapeer for improvements to Potters Lake. The Township paid \$95,000 and \$254,264 in principal payments towards those obligations, respectively. The latter payment paid the assessment in full for Potters Lake improvements.

**General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year, which included an increase in appropriations for principle debt payments of \$240,000 to allow for the payoff of the Potters Lake assessment. Overall, appropriations were increased by \$110,350.

**Economic Factors and Next Year's Budget**

Because of the impact of Proposal A and the Headlee Amendment, the Township must continue to watch the budget very closely. The most significant of these events during the fiscal year are the drastic cuts in State Revenue Sharing. These revenues decreased due to the downturn in the economy and State cutbacks during 2004 and 2005.

**Contacting the Township's Management**

This financial report is intended to provide our residents, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 4717 Lippincott Road, Lapeer, MI 48446.

John Kosiara  
Township Supervisor



**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Governmental Activities	Business Type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,011,645	\$ 1,011,248	\$ 2,022,893
Receivables			
Other Governments	128,387		128,387
Accounts	3,354	48,091	51,445
Assessments		516,878	516,878
Inventory		75,200	75,200
Internal Balances	211,108	(211,108)	-0-
Bond Discount		12,650	12,650
Deferred Loss		42,806	42,806
Prepaid Items	<u>124,421</u>		<u>124,421</u>
Total Current Assets	<u>\$ 1,478,915</u>	<u>\$ 1,495,765</u>	<u>\$ 2,974,680</u>
Capital Assets:			
Land	\$ 24,500	\$ 163,012	\$ 187,512
Buildings	640,233		640,233
Equipment	489,708	156,330	646,038
Vehicles	739,961		739,961
Sewer System		4,940,101	4,940,101
Accumulated Depreciation	<u>(723,578)</u>	<u>(1,254,576)</u>	<u>(1,978,154)</u>
Total Capital Assets	<u>1,170,824</u>	<u>4,004,867</u>	<u>5,175,691</u>
Total Assets	<u>\$ 2,649,739</u>	<u>\$ 5,500,632</u>	<u>\$ 8,150,371</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 5,121	\$ -0-	\$ 5,121
Accrued Interest		8,810	8,810
Current Portion of Long-Term Debt		100,000	100,000
Non-Current Liabilities			
Bonds Payable		<u>710,000</u>	<u>710,000</u>
Total Liabilities	<u>\$ 5,121</u>	<u>\$ 818,810</u>	<u>\$ 823,931</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets net of Debt	\$ 1,170,824	\$ 3,194,867	\$ 4,365,691
Restricted for Debt Service		810,000	810,000
Restricted for Sewer Operations		676,955	676,955
Unrestricted	<u>1,473,794</u>		<u>1,473,794</u>
Total Net Assets	<u>\$ 2,644,618</u>	<u>\$ 4,681,822</u>	<u>\$ 7,326,440</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u> Sewer Fund	<u>Total</u>
<b><u>EXPENSES</u></b>			
Township Board	\$ 15,416	\$ -0-	\$ 15,416
General Government	388,778		388,778
Public Safety	244,204		244,204
Public Works	134,868	90,846	225,714
Insurance	32,825		32,825
Depreciation	73,867	103,173	177,040
Repairs and Maintenance		20,021	20,021
Utilities and Telephone		2,637	2,637
Other Activities	25,715		25,715
Interest	<u>18,413</u>	<u>55,305</u>	<u>73,718</u>
Total Expenses	<u>\$ 934,086</u>	<u>\$ 271,982</u>	<u>\$ 1,206,068</u>
<b><u>PROGRAM REVENUES</u></b>			
Charges for Services	\$ 15,493	\$ 123,652	\$ 139,145
Rental Income	6,550		6,550
Other Local Revenue	<u>4,548</u>		<u>4,548</u>
Net Program (Expenses) Revenues	<u>\$ (907,495)</u>	<u>\$ (148,330)</u>	<u>\$ (1,055,825)</u>
<b><u>GENERAL REVENUE</u></b>			
Taxes	\$ 631,685	\$ -0-	\$ 631,685
Assessments	21,320		21,320
State Shared Revenue	374,787		374,787
Interest Earnings	21,640	50,482	72,122
Capital Grants	<u>38,160</u>		<u>38,160</u>
Total General Revenues	<u>\$ 1,087,592</u>	<u>\$ 50,482</u>	<u>\$ 1,138,074</u>
Change in Net Assets	\$ 180,097	\$ (97,848)	\$ 82,249
Net Assets - July 1, 2004	<u>2,464,521</u>	<u>4,804,417</u>	<u>7,268,938</u>
Adjustment for Assessments Removed	<u>-0-</u>	<u>(24,747)</u>	<u>(24,747)</u>
Net Assets - June 30, 2005	<u>\$ 2,644,618</u>	<u>\$ 4,681,822</u>	<u>\$ 7,326,440</u>

See Auditor's Report and Notes to the Financial Statements.

ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 441,996	\$ 465,905	\$ 103,744	\$ 1,011,645
Prepaid Expenses	3,484	120,937		124,421
State Shared Revenue	128,387			128,387
Due From Other Funds	214,176	8,592		222,768
Total Assets	<u>\$ 788,043</u>	<u>\$ 595,434</u>	<u>\$ 103,744</u>	<u>\$ 1,487,221</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 5,121	\$ -0-	\$ -0-	\$ 5,121
Due to Other Funds	8,306			8,306
Total Liabilities	<u>\$ 13,427</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,427</u>
<u>FUND EQUITY</u>				
Fund Balance				
Unreserved-Undesignated	<u>\$ 774,616</u>	<u>\$ 595,434</u>	<u>\$ 103,744</u>	<u>\$ 1,473,794</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 788,043</u>	<u>\$ 595,434</u>	<u>\$ 103,744</u>	<u>\$ 1,487,221</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET  
ASSETS OF GOVERNMENTAL ACTIVITIES**

Total Governmental Fund Balances	\$ 1,473,794
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Amounts reported for Governmental Activities  
in the Statement of Net Assets are different  
because:

Long-Term liabilities are not due and payable  
In the current period and, therefore, are not  
reported in the funds.

1,170,824

Change in Net Assets of Governmental Activities	<u><u>\$ 2,644,618</u></u>
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**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2005**

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b><u>REVENUES</u></b>				
Taxes	\$ 346,313	\$ 285,372	\$ -0-	\$ 631,685
Assessments			21,320	21,320
State Shared Revenue	371,510		3,277	374,787
Charges for Services	15,493			15,493
Capital Grants		38,160		38,160
Interest Earnings	9,991	9,706	1,943	21,640
Rentals	6,550			6,550
Other Local Revenues	3,951	597		4,548
Total Revenues	<u>\$ 753,808</u>	<u>\$ 333,835</u>	<u>\$ 26,540</u>	<u>\$ 1,114,183</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government:				
Township Board	\$ 15,416	\$ -0-	\$ -0-	\$ 15,416
Supervisor	28,949			28,949
Elections	21,941			21,941
Assessor	38,048			38,048
Clerk	76,353			76,353
Cemetery	7,602			7,602
Board of Review	6,031			6,031
Treasurer	63,393			63,393
Legal, Audit and Engineering	30,595			30,595
Township Hall	94,920			94,920
Other General Government	20,946			20,946
Total General Government	<u>404,194</u>	<u>-0-</u>	<u>-0-</u>	<u>404,194</u>
Public Safety	98,953	141,974	3,277	244,204
Public Works	114,752		20,116	134,868
Insurance	32,825			32,825
Other Activities	25,715			25,715
Capital Outlay:		74,697		74,697
Debt Service:				
Principal	254,265			254,265
Interest	18,413			18,413
Total Expenditures	<u>\$ 949,117</u>	<u>\$ 216,671</u>	<u>\$ 23,393</u>	<u>\$ 1,189,181</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (195,309)</u>	<u>\$ 117,164</u>	<u>\$ 3,147</u>	<u>\$ (74,998)</u>
<b><u>FUND BALANCE - July 1, 2004</u></b>	<u>969,925</u>	<u>478,270</u>	<u>100,597</u>	<u>1,548,792</u>
<b><u>FUND BALANCE - June 30, 2005</u></b>	<u>\$ 774,616</u>	<u>\$ 595,434</u>	<u>\$ 103,744</u>	<u>\$ 1,473,794</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

Net change in fund balance - Total Governmental Funds	\$ 180,097
--	------------

Amounts reported for Governmental Activities  
in the Statement of Net Assets are different  
because:

Governmental Funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(830)
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Governmental Funds report the repayment of debt as an expenditure. The repayment of debt reduces the liability in the Statement of Net Assets.	<u>(254,265)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (74,998)</u></u>
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ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS - ENTERPRISE FUND  
Year Ended June 30, 2005

SEWER FUND

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,011,248
Accounts Receivable	48,091
Assessments Receivable	516,878
Inventory	75,200
Bond Discount	12,650
Deferred Loss	42,806
Internal Balances	<u>(211,103)</u>

Total Current Assets	\$ <u>1,495,765</u>
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Capital Assets

Land	\$ 163,012
Equipment	156,330
Sewer System	4,940,101
Accumulated Depreciation	<u>(1,254,576)</u>

Total Capital Assets	<u>4,004,867</u>
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Total Assets	<u>\$ 5,500,632</u>
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LIABILITIES

Current Liabilities

Accrued Interest	\$ 8,810
Current Portion of Long-Term Debt	<u>100,000</u>

Total Current Liabilities	\$ 108,810
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Long-Term Debt - Net Current Portion	<u>710,000</u>
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Total Liabilities	<u>\$ 818,810</u>
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NET ASSETS

Invested in Capital Assets - Net of Related Debt	\$ 3,194,867
Restricted for Sewer Operations	676,955
Restricted for Debt Services	<u>810,000</u>

Net Assets	<u>\$ 4,681,822</u>
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ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND NET ASSETS - ENTERPRISE FUND  
Year Ended June 30, 2005

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Use Charges	\$ 120,136
Connection Fees	<u>3,516</u>
Total Operating Revenues	<u>\$ 123,652</u>
<u>OPERATING EXPENSES</u>	
Management Fees	\$ 76,272
Utilities and Telephone	2,637
Operating Supplies	5,530
Repairs and Maintenance	20,021
Administration and Miscellaneous	9,044
Depreciation and Amortization	<u>103,173</u>
Total Operating Expenses	<u>\$ 216,677</u>
Operating Income (Loss)	<u>\$ (93,025)</u>
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>	
Interest Income	\$ 50,482
Interest Expense	<u>(55,305)</u>
Total Non-operating Revenues	<u>\$ (4,823)</u>
Net Loss/Change in Net Assets	<u>\$ (97,848)</u>
<u>NET ASSETS</u> - July 1, 2004	<u>4,804,417</u>
Adjustment for Assessments Removed	<u>(24,747)</u>
<u>NET ASSETS</u> - June 30, 2005	<u>\$ 4,681,822</u>

See Auditor's Report and Notes to the Financial Statements.



ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
Year Ended June 30, 2005

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>SEWER FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 120,672
Payments to Suppliers and Vendors	<u>(188,704)</u>
NET CASH FLOWS FROM OPERATIONS	\$ <u>(68,032)</u>
<u>CASH FLOWS NON CAPITAL FINANCING ACTIVITIES</u>	
Transfers from Other Funds	\$ 200,000
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>200,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Payments on Long-Term Debt	\$ (95,000)
Interest Paid	(43,253)
Acquisition of Capital Assets	(166,337)
Special Assessments Collected	<u>90,148</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ <u>(214,442)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	\$ 50,482
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>50,482</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (31,992)
<u>CASH AND CASH EQUIVALENTS - July 1, 2004</u>	<u>1,043,240</u>
<u>CASH AND CASH EQUIVALENTS - June 30, 2005</u>	<u>\$1,011,248</u>
 <u>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Net Operating Income	\$ (93,025)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	103,173
Increase in Accounts Receivable	(2,980)
Increase in Inventory	<u>(75,200)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(68,032)</u>

See Auditor's Report and Notes to the Financial Statements.

ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2005

	<u>TRUST AND AGENCY</u>	<u>CURRENT TAX COLLECTION</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 37,338	\$ 2,396	\$ 39,734
Total Assets	\$ 37,338	\$ 2,396	\$ 39,734
<u>LIABILITIES</u>			
Due to Other Funds	\$ 958	\$ 2,396	\$ 3,354
Due to County	1,285		1,285
Due to Schools	3,866		3,866
Deposits	<u>31,229</u>	<u>          </u>	<u>31,229</u>
Total Liabilities	\$ 37,338	\$ 2,396	\$ 39,734
Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

The Township of Elba is a general law Township operating under Article 7, Section 17 of the Michigan Constitution of 1963 and under the revised statutes of 1846, as amended. Elba Township was organized in 1838 and is governed by a Board consisting of the Supervisor, Clerk, Treasurer and four Trustees. The Township provides its residents with public safety (police, fire and inspections), highways and streets, public improvements, planning and zoning and general administrative services.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting and reporting policies of Elba Township (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

**IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

**Statement No. 34** - Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments.

**Statement No. 37** - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.

**Statement No. 34** - (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above statements did not affect the Fund Balance of the Township.

**SCOPE OF REPORTING ENTITY:**

In accordance with the provisions of the Governmental Accounting Standards Board Statement #14, "Defining the Governmental Report Entity", the financial statements of the Township of Elba contain all the Township's executive or legislative branches. Control by or dependence on the Township was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligations of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and the scope of public service.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**FUND FINANCIAL STATEMENTS:**

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The accounts of the government are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Township are recorded in separate funds, categorized as follows:

**GOVERNMENTAL FUNDS:**

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition/construction of facilities/equipment (other than those financed by proprietary or trust funds). The designated fund balance in the capital project funds represents subsequent years' expenditures specifically identified for capital outlays.

Fiduciary Funds - Fiduciary Funds include expendable trust and nonexpendable trust and agency funds. The measurement focus of the expendable trust fund is the same as for governmental funds. The measurement focus of the nonexpendable trust is based upon determination of net income, financial position and changes in financial position. The generally accepted accounting principles applicable to nonexpendable trust and agency funds are those similar to businesses in the private sector.

Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations and are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds.

**PROPRIETARY FUNDS:**

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Township has one Enterprise Fund which is the Sewer Fund.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**CASH EQUIVALENTS:**

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired, are considered to be cash equivalents.

**MEASUREMENT FOCUS:**

Measurement Focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of our Enterprise Fund relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**CASH AND INVESTMENTS:**

Deposits are carried at cost. Deposits are in four financial institutions in the name of the Elba Township Treasurer. Act 217, PA 1982, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

**PROPERTY TAXES:**

Property taxes are levied each December 1st on the State equalized value of property located in the Township as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50 percent of current market value. The 2004 taxable value of the Township totaled \$179,723,779. Millage rates assessed were 1.4389 for general operating and 1.50 for fire protection.

On December 8, 1986, the Township entered into an agreement (pursuant to P.A. 425 of 1984) with the City of Lapeer for the transfer of certain parcels of land from the Township to the City. In consideration for the land, the Township will receive an annual payment from the City equal to revenues the Township would have received had the parcels remained in the Township. The annexed property revenues include, but are not limited to, current tax millage, Federal shared revenues and State shared revenues. The Township also received the right to tap into the City sanitary sewer line for the purpose of serving all or part of the Lake Nepessing sewer district as currently engineered. Payments began September 1, 1987 and will continue for a period of fifty years.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

The Township bills and collects its own property taxes and also taxes for the county and school districts within its boundaries. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized as revenues in the fiscal year levied.

Property taxes levied on December 1st are payable without penalty through February 14th. As of March 1st, unpaid taxes attach as an enforceable lien on the property. Delinquent taxes, special assessments, and sewer user fees, are purchased by the County of Lapeer.

**ACCOUNTS RECEIVABLE:**

No allowance for uncollected accounts has been set up for the sewer fees receivable or assessments. The assessments are an enforceable lien on the property. Similarly, delinquent sewer fees are placed on the tax roll. Accounts receivable in General Fund are state shared revenues receivable.

**PROPERTY AND EQUIPMENT:**

All fixed assets are valued at historical cost or estimated historical costs if actual figures are not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

**CAPITAL ASSETS:**

Capital assets which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Governmental</u>	
Buildings and Improvements	5 - 50 Years
Equipment	5 - 20 Years
Vehicles	5 - 20 Years
<u>Enterprise</u>	
Equipment	7 - 10 Years
Municipal Sewer System	50 Years

**NET ASSETS:**

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of governments.

**USE OF ESTIMATES:**

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**BUDGETARY AND LEGAL COMPLIANCE:**

**BUDGETARY DATA:**

The following procedures were completed in establishing the budgetary data reflected in the financial statements:

The modified accrual based budget was legally enacted on a departmental (activity) basis through the passage of a resolution.

The budget was used by the Township Board as a management tool during the year for all budgetary funds. Any revisions that altered the total expenditures of any department were approved by the Township Board.

Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement length basis.

The original budget was amended during the year in compliance with applicable State laws. The budget to actual expenditures in the financial statements represent the final budget as amended by the Township Board.

**EXCESS EXPENDITURES OVER BUDGETARY AMOUNTS:**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted by activity within a fund. During the budget year, the Township did not incur expenditures beyond budgeted amounts in the funds for which budgets were adopted. A budget, however, was not adopted for the Lake Nepessing Weed Control Fund. Total expenditures for the fund were \$20,116. All of which exceeded appropriations. A budget for 2005-2006 will be adopted.

**DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:**

**CASH AND INVESTMENTS:**

The Township's deposits are in accordance with statutory authority. At June 30, 2005, the balance sheet carrying amount of cash deposits was \$526,370. The bank balance as of June 30, 2005 was \$605,352 of which \$538,626 was covered by FDIC insurance. Cash deposits are classified in risk category number three.

In accordance with GASB Statement 3, cash deposits and investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the local unit or its agent in the local unit's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the local unit's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the local unit's name).

For the year ended June 30, 2005 the Township invested in the Government Cash Investment Fund with Comerica Bank and the Public Funds Investment Trust with Standard Federal Bank, both of whose underlying investments were U.S. Government Securities. Since these investments do not involve a transferrable financial instrument, they are not categorized into risk categories. The balances were \$1,289,944 and \$206,579; respectively. These investments are considered cash equivalents and are included with cash deposits of \$526,370 (listed above) for the total cash and cash equivalent of \$2,022,893 as listed on the Statement of Net Assets.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)**

**INVENTORY - SEWER FUND:**

Inventory listed in the Sewer Fund consists of replacement pumps and tanks carried at historical cost.

**CAPITAL ASSETS:**

**A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES FOLLOWS:**

	BALANCE 7/01/04	ADDITIONS	DEDUCTIONS	BALANCE 6/30/05
Capital Assets Not Being Depreciated				
Land	\$ 24,500	\$ -0-	\$ -0-	\$ 24,500
Capital Assets Being Depreciated				
Building and Improvements	\$ 640,233	\$ -0-	\$ -0-	\$ 640,233
Equipment	415,011	74,697		489,708
Vehicles	739,961			739,961
Total Capital Assets Being Depreciated	<u>\$1,795,205</u>	<u>\$ 74,697</u>	<u>\$ -0-</u>	<u>\$ 1,869,902</u>
Less Accumulated Depreciation for				
Building and Improvements	\$ 168,694	\$ 12,977	\$ -0-	\$ 181,671
Equipment	187,362	33,394		220,756
Vehicles	293,656	27,495		321,151
Total Accumulated Depreciation	<u>\$ 649,712</u>	<u>\$ 73,866</u>	<u>\$ -0-</u>	<u>\$ 723,578</u>
Total Capital Assets Being Depreciated, Net	<u>1,145,493</u>	<u>831</u>	<u>-0-</u>	<u>1,146,324</u>
Total Governmental Activity Assets, Net	<u>\$1,169,993</u>	<u>\$ 831</u>	<u>\$ -0-</u>	<u>\$ 1,170,824</u>

**A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES FOLLOWS:**

	BALANCE 7/01/04	ADDITIONS	DEDUCTIONS	BALANCE 6/30/05
Capital Assets Not Being Depreciated				
Land	\$ 163,012	\$ -0-	\$ -0-	\$ 163,012
Capital Assets Being Depreciated				
Sewer System	\$4,773,764	\$ 166,337	\$ -0-	\$ 4,940,101
Equipment	156,330			156,330
Total Capital Assets Being Depreciated	<u>\$4,930,094</u>	<u>\$ 166,337</u>	<u>\$ -0-</u>	<u>\$ 5,096,431</u>
Less Accumulated Depreciation for				
Sewer System	\$1,106,432	\$ 96,920	\$ -0-	\$ 1,203,352
Equipment	44,971	6,253		51,224
Total Accumulated Depreciation	<u>\$1,151,403</u>	<u>\$ 103,173</u>	<u>\$ -0-</u>	<u>\$ 1,254,576</u>
Total Capital Assets Being Depreciated, Net	<u>3,778,691</u>	<u>63,164</u>	<u>-0-</u>	<u>3,841,855</u>
Total Business Type Activity Assets, Net	<u>\$3,941,703</u>	<u>\$ 63,164</u>	<u>\$ -0-</u>	<u>\$ 4,004,867</u>



**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2005

**DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)**

**LONG-TERM DEBT:**

On April 11, 1996, Lapeer County issued \$875,000 in Limited Tax General Obligation Wastewater System Refunding Bonds (Township of Elba). The Elba Refunding Bonds were issued in anticipation of, and are payable primarily from, certain contractual payments to be paid by the Township to the Lapeer County Treasurer acting for and on behalf of the County, pursuant to a contract between the County and the Township.

The Wastewater System Refunding Bonds - (Township of Elba) were issued pursuant to the authorization contained in Act 185 of the Public Acts of Michigan 1957, as amended, and Act 202 of the Public Acts of Michigan, 1943. As a result of the advance refunding, the Township will pay \$250,877 less in interest payments over the life of the bonds.

The Wastewater System Refunding Bonds carry an interest rate between 3.75% and 5.55% depending on maturity dates, with annual principal maturities between \$5,000 and \$105,000. The bonds are fully matured on October 1, 2009.

On October 8, 1997, the County of Lapeer issued \$2,005,000 of Potters Lake and Elba Sewer Bonds for the purpose of constructing a sewer system for Potters Lake. These bonds will be paid for by a special assessment district (62.49%) the County of Lapeer (18%), and the Township at large (19.51%).

The bonds are issued in anticipation of, and are payable primarily from, certain contractual payments to be paid by the Township to the County Board of Public Works acting for and on behalf of the County, pursuant to a contract between the County and the Township.

On January 2, 2002, the Township Board adopted a resolution establishing a special assessment district for the expansion of the Lake Nepessing Sewer System. On January 14, 2002, the Board adopted a resolution to issue special assessment bonds and amended the resolution on February 12, 2002. On March 13, 2002, \$410,000 in bonds were sold carrying interest rates between 2.5% and 5.25% with annual principle maturities of \$20,000. The bonds have a call date of May 1, 2011.

The principal and interest requirements for the next five years are as follows:

<u>FISCAL YEAR ENDING:</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/08</u>	<u>6/30/09</u>	<u>6/30/10</u>
Sewer Expansion	\$ 36,435	\$ 35,685	\$ 34,905	\$ 34,105	\$ 32,415
Sewer Refunding	102,280	103,113	108,451	103,393	107,914

The changes in the Township's long-term debt are as follows:

	<u>BALANCE</u> <u>7/01/04</u>	<u>DEBT</u> <u>ISSUED</u>	<u>DEBT</u> <u>RETIRED</u>	<u>BALANCE</u> <u>6/30/05</u>
Sewer Expansion Bonds	\$ 370,000	\$ -0-	\$ 20,000	\$ 350,000
Wastewater System Refunding Bonds	535,000		75,000	460,000
Total Proprietary Long-Term Debt	<u>\$ 905,000</u>	<u>\$ -0-</u>	<u>\$ 95,000</u>	<u>\$ 810,000</u>
Potters Lake Special Assessment	\$ 254,264	\$ -0-	\$ 254,264	\$ -0-
Total General Long-Term Debt	<u>\$ 254,264</u>	<u>\$ -0-</u>	<u>\$ 254,264</u>	<u>\$ -0-</u>

ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2005

**DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)**

**INDIVIDUAL FUND INTERFUND RECEIVABLE/PAYABLE:**

<u>RECEIVABLE FUND</u>	<u>AMOUNT</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	\$ 214,176	Current Tax	\$ 2,396
		Trust and Agency	672
		Sewer	211,108
Fire	<u>8,592</u>	Trust and Agency	286
		General	<u>8,306</u>
Total	<u>\$ 222,768</u>		<u>\$ 222,768</u>

**DEFERRED COMPENSATION:**

Elba Township offers all its firemen a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Elba Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Elba Township's financial statements. Employer contributions for the year were 7.5% of covered payroll for a total of \$2,479.

At no time during the fiscal year did the Township's retirement plan investment portfolio use derivative instruments or products.

**RISK FINANCING:**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage.

**ADJUSTMENT TO NET ASSETS - SEWER FUND:**

Certain parcels of property have been removed from the Sewer Special Assessment roll at the owners request. Those parcels will not be allowed to tap into the sewer system in the future. An adjustment to net assets has been made for the amount of the assessments that have been taken off the roll for those parcels.

**COMMITMENTS - FIRE TRUCK**

At June 30, 2005, the Township had a new fire truck being assembled to their specifications. A deposit of \$120,937 was made prior to the close of the fiscal year. The balance owed is approximately \$314,000. The Township expects to take delivery in January 2006.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Taxes	\$ 300,000	\$ 340,000	\$ 346,313	\$ 6,313
State Shared Revenue	376,000	376,000	371,510	(4,490)
Charges for Services	10,000	10,000	15,493	5,493
Interest Earnings	5,000	5,000	9,991	4,991
Rentals	5,000	5,000	6,550	1,550
Other Local Revenues	6,700	6,700	3,951	(2,749)
Total Revenues	<u>\$ 702,700</u>	<u>\$ 742,700</u>	<u>\$ 753,808</u>	<u>\$ 11,103</u>
<u>EXPENDITURES</u>				
Current:				
General Government:				
Township Board	\$ 17,850	\$ 17,850	\$ 15,416	\$ 2,434
Supervisor	29,550	29,550	28,949	601
Elections	22,000	22,000	21,941	59
Assessor	38,425	39,025	38,048	977
Clerk	79,800	79,800	76,353	3,447
Cemetery	12,825	10,325	7,602	2,723
Board of Review	8,300	8,300	6,031	2,269
Treasurer	74,900	67,900	63,393	4,507
Legal Audit and Engineering Fees	35,000	37,100	30,595	6,505
Township Hall	97,200	96,600	94,920	1,680
Other General Government	45,450	26,450	20,946	5,504
Total General Government	<u>\$ 461,300</u>	<u>\$ 434,900</u>	<u>\$ 404,194</u>	<u>\$ 30,706</u>
Public Safety	\$ 146,250	\$ 116,250	\$ 98,953	\$ 17,297
Public Works	150,000	120,000	114,752	5,248
Culture and Recreation	5,000	1,000	-0-	1,000
Insurance	40,000	40,000	32,825	7,175
Other Activities	72,750	33,500	25,715	7,785
Debt Service:				
Principal	20,000	260,000	254,265	5,735
Interest	19,000	19,000	18,413	587
Total Expenditures	<u>\$ 914,300</u>	<u>\$1,024,650</u>	<u>\$ 949,117</u>	<u>\$ 75,533</u>
Excess Revenues Over (Under) Expenditures	\$ (211,600)	\$ (281,950)	\$(195,309)	\$ 86,641
<u>FUND BALANCE</u> - July 1, 2004	<u>969,925</u>	<u>969,925</u>	<u>969,925</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2005	<u>\$ 758,325</u>	<u>\$ 687,975</u>	<u>\$ 774,616</u>	<u>\$ 86,641</u>

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -**  
**BUDGET AND ACTUAL - FIRE FUND**  
**Year Ended June 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES</u>				
Taxes	\$ 248,000	\$ 248,000	\$ 285,372	\$ 37,372
Interest Earnings	2,000	2,000	9,706	7,706
Capital Grants			38,160	38,160
Reimbursements			597	597
Total Revenues	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 333,835</u>	<u>\$ 83,835</u>
<u>EXPENDITURES</u>				
Current:				
Wages and Related Expenses	\$ 81,500	\$ 81,500	\$ 59,280	\$ 22,220
Insurance and Retirement	22,450	22,450	22,318	132
Supplies	19,500	19,500	19,353	147
Repairs and Maintenance	17,500	17,500	16,251	1,249
Public Education	6,500	6,500	5,772	728
Utilities and Telephone	10,800	10,800	8,541	2,259
Education and Training	9,000	9,000	5,435	3,565
Miscellaneous	6,550	6,550	5,024	1,526
Capital Outlay	396,440	396,440	74,697	321,743
Total Expenditures	<u>\$ 570,240</u>	<u>\$ 570,240</u>	<u>\$ 216,671</u>	<u>\$ 353,569</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (320,240)</u>	<u>\$ (320,240)</u>	<u>\$ 117,164</u>	<u>\$ 437,404</u>
<u>FUND BALANCE - July 1, 2004</u>	<u>478,270</u>	<u>478,270</u>	<u>478,270</u>	<u>-0-</u>
<u>FUND BALANCE - June 30, 2005</u>	<u>\$ 158,030</u>	<u>\$ 158,030</u>	<u>\$ 595,434</u>	<u>\$ 437,404</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -**  
**BUDGET AND ACTUAL - LIQUOR CONTROL FUND**  
**Year Ended June 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE:</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
State Shared Revenue	\$ 3,300	\$ 3,300	\$ 3,277	\$ (23)
<u>EXPENDITURES</u>				
Liquor Law Enforcement	<u>3,300</u>	<u>3,300</u>	<u>3,277</u>	<u>23</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>FUND BALANCE</u> - July 1, 2004	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Auditor's Report and Notes to the Financial Statements.

ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN  
 STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -  
 BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND  
 Year Ended June 30, 2005

	<u>BUDGETED AMOUNTS</u>			VARIANCE:
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ 1,100	\$ 1,100	\$ 1,882	\$ 782
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	\$ 1,100	\$ 1,100	\$ 1,882	\$ 782
<u>FUND BALANCE</u> - July 1, 2004	<u>99,597</u>	<u>99,597</u>	<u>99,597</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2005	<u>\$ 100,697</u>	<u>\$ 100,697</u>	<u>\$ 101,479</u>	<u>\$ 782</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -**  
**BUDGET AND ACTUAL - DISASTER FUND**  
**Year Ended June 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ 10	\$ 10	\$ 4	\$ (6)
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	\$ 10	\$ 10	\$ 4	\$ (6)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>10</u>	<u>10</u>	<u>-0-</u>	<u>10</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	\$ -0-	\$ -0-	\$ 4	\$ 4
<u>FUND BALANCE</u> - July 1, 2004	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2005	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,004</u>	<u>\$ 4</u>

See Auditor's Report and Notes to the Financial Statements.

**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NON - MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2005**

	<u>LAKE NEPESSING WEED CONTROL</u>	<u>CAPITAL PROJECTS FUND</u>	<u>LIQUOR LICENSE FUND</u>	<u>DISASTER FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 1,261	\$ 101,479	\$ -0-	\$ 1,004	\$ 103,744
Total Assets	\$ 1,261	\$ 101,479	\$ -0-	\$ 1,004	\$ 103,744
<b><u>LIABILITIES</u></b>					
Due to Other Funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Liabilities	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b><u>FUND EQUITY</u></b>					
Fund Balance					
Unreserved-Undesignated	\$ 1,261	\$ 101,479	\$ -0-	\$ 1,004	\$ 103,744
Total Liabilities and Fund Equity	\$ 1,261	\$ 101,479	\$ -0-	\$ 1,004	\$ 103,744

See Auditor's Report and Notes to the Financial Statements.



**ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON - MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2005**

	LAKE NEPESSING WEED CONTROL	CAPITAL PROJECTS FUND	LIQUOR LICENSE FUND	DISASTER FUND	TOTAL
<b><u>REVENUES</u></b>					
Assessments	\$ 21,320	\$ -0-	\$ -0-	\$ -0-	\$ 21,320
State Shared Revenue			3,277		3,277
Interest Earnings	<u>57</u>	<u>1,882</u>	<u></u>	<u>4</u>	<u>1,943</u>
Total Revenues	<u>\$ 21,377</u>	<u>\$ 1,882</u>	<u>\$ 3,277</u>	<u>\$ 4</u>	<u>\$ 26,540</u>
<b><u>EXPENDITURES</u></b>					
Public Safety	\$ -0-	\$ -0-	\$ 3,277	\$ -0-	\$ 3,277
Public Works	<u>20,116</u>	<u></u>	<u></u>	<u></u>	<u>20,116</u>
Total Expenditures	<u>\$ 20,116</u>	<u>\$ -0-</u>	<u>\$ 3,277</u>	<u>\$ -0-</u>	<u>\$ 23,393</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 1,261</u>	<u>\$ 1,882</u>	<u>\$ -0-</u>	<u>\$ 4</u>	<u>\$ 3,147</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers Out	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balance	<u>\$ 1,261</u>	<u>\$ 1,882</u>	<u>\$ -0-</u>	<u>\$ 4</u>	<u>\$ 3,147</u>
FUND BALANCE - July 1, 2004	<u>-0-</u>	<u>99,597</u>	<u>-0-</u>	<u>1,000</u>	<u>100,597</u>
FUND BALANCE - June 30, 2005	<u><u>\$ 1,261</u></u>	<u><u>\$ 101,479</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 1,004</u></u>	<u><u>\$ 103,744</u></u>

See Auditor's Report and Notes to the Financial Statements.



**ROBSON AND McCALLUM**  
*Certified Public Accountants*

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

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**JAN 03 2006**

**LOCAL AUDIT & FINANCE DIV.**

To the Board Members  
Elba Township  
4717 Lippincott Road  
Lapeer, Michigan 48446

Dear Board Members:

We have audited the basic financial statements for Elba Township (the "Township"), for the year ended June 30, 2005 and have issued our report thereon dated December 20, 2005. Professional standards require that we communicate certain matters to you related to our audit. These are provided below:

1. Our responsibility under generally accepted auditing standards - We are responsible for conducting our audit under auditing standards generally accepted in the United States of America as described in our engagement letter dated July 30, 2003. Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement, whether caused by error or by fraud. The concept of reasonable assurance indicates that we did not test all transactions; therefore, there is a risk that material errors, fraud, or illegal acts may have occurred that we did not detect in our audit.
2. Compliance with the Uniform Accounting and Budgeting Act - The Lake Nepessing Weed Control Fund (A Special Revenue Fund) was established during the fiscal year ended, however, no budget was adopted. We recommend a budget be adopted for 2005-2006.

This report is intended solely for the use of the management of Elba Township and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Robson and McCallum, CPA's  
December 20, 2005